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ABSTRACT

This booklet provides guidance for students and families who seek help in meeting college costs. It begins with guidelines for developing a funding strategy, with tips on how to calculate amount needed and planner's net worth and including sample budget forms and balance sheets. This section is followed by descriptions of the investments considered most suitable for college savings. The next section covers borrowing from retirement plans or by taking out home equity loans. Information on types of investments available in Canada only is included. The next section contains information for high school students on ways they can meet some of the costs themselves. It systematically explores the types of financial aid offered by the federal and state governments, colleges, businesses, and community groups, including scholarships, grants, work study programs, and loans. Cooperative education, tuition reimbursement plans, and other ways to reduce the burden of college costs are then discussed. Money management for college students is addressed in a section that focuses on day-to-day expenses, setting up a financial plan, checking accounts, credit cards, and managing consumer credit. A final section looks at financial concerns after graduation, such as repaying student loans, avoiding default, and creating a new financial plan. A glossary and two lists of suggested resources, one for organizations and the other for print materials, are appended. (YLB)

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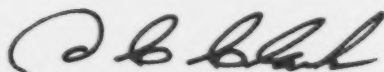
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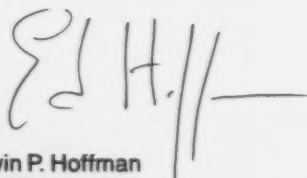
visuals and pamphlets that explain and illustrate the most important elements of personal and family finance. Their content is based on continual research and experience, as well as consultation with specialists in education, business and government.

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Introduction

FINANCING A COLLEGE EDUCATION provides guidance for those students and families who seek help in the increasingly difficult task of meeting college costs. The ideal way to do so, of course, is to build up a college-savings fund—starting early and staying with it until youngsters are college bound. Recognizing, however, that few of us are able to attain the ideal in this or any other area of our lives, we explore other financing possibilities as well, such as borrowing from a retirement plan or taking out a home equity loan.

You'll find a wealth of information on the various forms of college financial aid offered by the federal government—loans, grants, scholarships and work-study programs. Discussed also are the loans made available by commercial lenders and the kinds of aid available through colleges, state governments, businesses and community groups.

And, because college costs go beyond tuition, fees, and room and board, there's a section for present college students needing assistance in managing day-to-day expenses, setting up a budget, and handling checking accounts and credit cards. Finally, there's help for graduates who must cope with repayment of student loans and other budgeting concerns.

FINANCING A COLLEGE EDUCATION was designed to serve as an introduction to what has become a most complicated subject. It is by no means intended to be all-inclusive. May it prove helpful in getting you started!

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Developing a Funding Strategy

A college education is a vital part of the American dream, but it's carrying an increasingly higher price tag. Both direct costs (tuition, fees and books) and related personal expenses (food, housing and transportation) have been rising faster than the inflation rate—and family income—for years. And these increases are expected to continue. The estimated cost of four years at a public college in 2008? \$88,000, according to the College Board. The challenge thus remains formidable, despite the fact that incomes are rising too.

Developing a Funding Strategy was designed to help you establish the savings plan that will make educational ends meet, whether you're a *high school student* or *adult* who must put yourself through college or a *parent* who hopes to help your offspring. Advance planner or late starter, you'll find helpful information here. Fortunately, it's never too late to finance an education or too early to start saving!

And the effort should be worth your

while: College is a superb financial investment. For most graduates, the returns greatly exceed the costs. In addition to a greater lifetime earnings potential, college grads experience boosts to self-esteem, finer lifestyles, and a wider range of opportunities for personal growth.

In this section you'll find instructions for setting up a financial plan, for calculating the amount of money you'll need to save monthly and for determining your net worth, as well as an investment-purchase guide, descriptions of suitable savings and investment instruments, and some ways you might borrow from yourself. There also are some college-funding suggestions strictly for Canadian readers.

Despite the fact that expenses continue to mount, families are finding ways to send their children to college. Our aim is to help you arrive at the combination of options, resources and strategies that will enable you to do so.

Developing a Financial Plan

In order to save money for a specific purpose, most people must employ long-range planning. Without it, long-term financial goals tend to be pushed aside in favor of short- and medium-term goals.

Even parents who intend to apply for financial aid should set up a plan; they too are expected to pay a fair share of their children's college expenses. So, whatever your situation and time frame, your college-funding strategy should begin with estimates of present cash flow and of what you'll be needing and when—i.e., with a financial plan and calculations of college costs.

A *financial plan* facilitates the achievement of long-term goals by helping you:

- live within your income
- establish spending priorities and keep goals in the forefront
- save on a regular basis
- maintain a good credit history
- keep track of income and current expenses



CURRENT INCOME AND EXPENSES

Income	Month 1	Month 2	Month 3	Month 4
Your take-home pay				
Spouse's take-home pay				
Child support, alimony				
Social Security or Canada Pension Plan				
Pension, profit sharing				
Family Allowance (in Canada)				
Other				
Total Income				
Fixed Expenses				
Savings				
College-savings fund				
Rent or mortgage				
Utilities				
Installment payments				
Insurance				
Support payments				
Flexible Expenses				
Transportation				
Food				
Clothing				
Personal care				
Household supplies				
Medical and dental				
Recreation and entertainment				
Miscellaneous				
Total Expenses				
Income - Expenses = Balance				

It can also help you—whether parent or student—to determine how much income, if any, you can spare each month to either (a) meet upcoming college bills, (b) put aside in a college-savings fund or (c) repay student loans.

The identification of values and goals is the first and most important step in the entire financial planning process, because goals provide a guide for spending and saving.* Your money will be more apt to do what you want it to do! Although adequate insurance and a readily accessible emergency fund of two to three months' net income should always be top priority, a college-savings fund would, in your case at least, be a very important goal also.

Using the chart provided, total your monthly income and estimate your monthly expenses. (Refer to cancelled checks, receipts and bills as needed.) Separate them into *fixed expenses*—like rent or mortgage payments, utilities and installment debts—and *flexible expenses*—food, recreation and transportation, for example, which can vary

from month to month. Subtract the combined totals from your income. Whatever you have left over, if anything, is the amount of money you can now draw from for a college fund and any other savings goals you may have.

How Much Will You Need to Save?

Perhaps you have no expectation or intention of footing all the college bills. If that's the case, simply settle on a realistic goal, determine how much you'll have to save monthly to meet it, and add this figure to the monthly savings goals in your financial plan. The figure could of course be revised if your income increases.

We've provided a *College Costs Worksheet* to help you estimate how much you'll need to save monthly, if you expect to pay the entire cost yourself. Determine the number of years until your child will be entering college, then call a school of interest to you and

request the estimated total costs of an education there when your child will enroll. Next, take the figure and divide it by the number of years you have to acquire the money (i.e., till your child is ready for college). That will give you the approximate amount you must save annually; divide this by 12 to obtain the monthly figure. (This amount may have to be adjusted to fit changes in your financial situation.)

If you have more than one child, spaces are provided to take their college costs into consideration as well. For more precise figures that take into account both the estimated rate of inflation and a minimum return on your investments, you may need to consult a financial adviser.

Remember that the bills for four years of college don't come due all at once. If your child is just a high school freshman, for example, you have up to eight years to accumulate the cash for his or her junior and senior years. You may even be able to handle some college expenses from current cash flow by then, covering the rest through a combination of home equity, education, and/or other loans, plus your son's or daughter's job earnings.

*For additional information on setting up a financial plan and completing a net worth statement, see the MMI booklet, *YOUR FINANCIAL PLAN*, listed on the inside back cover.

COLLEGE COSTS WORKSHEET FOR PARENTS

	A. Years Till Child Begins College	B. Estimated Total Costs of an Education When Your Child Will Enroll	C. Amount to Be Saved Annually (Divide B by A)	D. Amount to Be Saved Monthly (Divide C by 12)
Child 1		\$ _____	\$ _____	\$ _____
Child 2		\$ _____	\$ _____	\$ _____
Child 3		\$ _____	\$ _____	\$ _____
Child 4		\$ _____	\$ _____	\$ _____

YOUR NET WORTH STATEMENT

What You Own	Date
Cash in checking accounts	\$ _____
Cash in savings accounts	_____
Money-market funds	_____
Certificates of deposit	_____
Current value of government savings bonds	_____
Cash surrender value of insurance policies	_____
Equity in pensions	_____
Equity in profit-sharing plans	_____
Employer-sponsored savings plans	_____
Loans owed you	_____
Retirement funds	_____
Individual Retirement Account or	_____
Keogh Plan (U.S.)	_____
Registered Retirement Savings Plan (Canada)	_____
Tax refunds due	_____
Cash value of ownership in a business	_____
Market value of securities (stocks, bonds, mutual funds)	_____
Cash value of personal properties	_____
Home and other real estate	_____
Car(s)	_____
Furniture	_____
Appliances	_____
Other (furs, jewelry, antiques, fine art, etc.)	_____
Other assets	_____
_____	_____
_____	_____
Total Assets	\$ _____

What You Owe	
Mortgage debts (home and other real estate)	\$ _____
Installment debts (balance due on car, furniture, appliances, etc.)	_____
Personal loans	_____
Current bills outstanding	_____
Taxes due	_____
Other liabilities	_____
_____	_____
_____	_____
Total Liabilities	\$ _____
Your Net Worth (assets minus liabilities)	\$ _____

Investing to Meet College Costs

Calculating Your Net Worth

Calculating your net worth is the second step in your college-funding strategy. Having established a savings goal and the amount you can allocate to it monthly, you must now take a financial inventory—i.e., determine how your assets (what you own) and liabilities (what you owe) balance out. It's hard to gauge financial progress otherwise.

Using the net worth chart provided, calculate the amount of your liquid assets—cash on hand, money in bank accounts, stocks and bonds, mutual funds and money-market funds. Next, total the value of those assets that cannot be readily converted into cash—your home, car, the cash value of your pension fund, profit-sharing plans, and permanent life insurance policy, for example. (If you're a student, you'll undoubtedly have fewer items of value to include, but your possessions probably add up to much more than you suspect.)

Liabilities might include your mortgage, installment loans and credit card debt. Subtract your liabilities from your assets; the difference is your net worth. When you owe more than you own, you have a *negative* net worth. If this is the case, it's best you take some steps to rectify matters and insure that your future security won't be impaired.

Date the statement and put it in a safe place. In six months to a year check it again. Figuring your net worth periodically will reveal your financial progress in general and that of your college-savings fund in particular.

This section begins with a guide to building up a college fund through saving and investing. It not only lists the financial instruments most frequently recommended by investment advisers for college-fund portfolios but indicates the times and conditions most favorable for investing.

Following this are brief descriptions of the investments in the guide. Since you won't be purchasing all of them, an analysis of the key characteristics of each can help you decide which ones will best serve your interests.*

A Guide to College-Fund Investing

Although the multi-investment guide that follows extends over 18 years, it can be used by parents who get a late start as well as by those who begin saving when their child is an infant. The plan parallels the growth of the child and can be roughly divided into three sections—the early years, from birth to kindergarten; the middle period, when the child is in grade school; and the last years of childhood, when he or she is in high school.

When you are ready to seriously invest, seek out more detailed, in-depth information on the subject. You might start with the resources listed on page 30, or ask for guidance at your local library.

Useful Tips for College Savers

The earlier you begin to save, the better. If you start when your children are young—at their birth, ideally—you'll have more time for your savings to grow and far more financial options than those who wait till their children are preteens or older. The young-adult years are the most profitable of all for wealth building. Money you put aside early—whether you're saving for col-

lege or retirement—has time to build to far greater value than do like amounts invested later in life, thanks to the magic of compound interest over time.

Interest is compounded when it's paid on both the principal and the accumulated interest and may occur daily, weekly, monthly, or just once annually. The more frequently it occurs, the faster your money grows.

To determine how long any amount of money invested on a compound-interest basis will take to double, use the *rule of 72*. Divide 72 by the compound-interest rate. If you're receiving 10% interest, for example, your money will double in 7.2 years if compounded annually (72 divided by 10% = 7.2 years).

Another advantage for early starters: they have a better chance of reaching a position from which they can afford to take some investment risks—with potentially higher payoffs.

If you're a new parent starting at ground zero, therefore, make saving not only a fixed expense in your financial plan, but a habit. Regularly set aside a predetermined amount, even if it's small. If you find this difficult, take advantage of automatic plans like payroll deductions for savings bonds, or monthly transfers from your checking to your savings account.

Finally, or perhaps we should say "first and foremost," participate in an employer-sponsored salary-reduction plan like a 401(k) or 403(b) if you can. Designed to provide retirement income, these offer unparalleled opportunities to build up capital because contributions reduce current taxable income and grow tax-deferred.

In most employer-sponsored plans, your contributions are automatically invested for you each payday, and the interest, dividends and capital gains are tax-sheltered until you withdraw your money or retire. Your employer may match some or all of what you put in. Some plans permit members to borrow from them to meet college costs but certain restrictions may apply.

*For additional information on saving and investing, see the MMI booklet, YOUR SAVINGS AND INVESTMENT DOLLAR, listed on the inside back cover.

Saving in the Early Years

If you're an average young parent with a newborn, a moderate income and no savings at all, you would most likely seek the simplest, most convenient, safe, and liquid savings vehicle you could find. But, since you must have money before you can invest, you would probably open a passbook account, holding it just long enough to acquire the minimum needed for a higher-yield investment.

Series EE savings bonds, certificates of deposit (CDs), money-market mutual funds or a money-market deposit account (MMDA) are good possibilities for early investments. All pay higher yields than passbook accounts and are easily obtained. CDs and savings bonds can be purchased for smaller amounts of money but are not very liquid; the bonds have a tax advantage. Money-market funds and MMDAs are very liquid but require higher initial deposits. Zero-coupon Treasury bonds and bacculaureate bonds are additional possibilities, offering tax advantages and good yields.

To decide which of these investments would work best for you, read the descriptions that begin in the next section.

When Your Child is in Grade School

The above investments continue to be good choices, but now may be the time for you to expand the mix of investment instruments in your portfolio.

If you're in a position to take a few risks in the interests of higher yields, consider purchasing shares in a carefully selected growth-stock mutual fund, a more aggressive investment than those previously mentioned. Such funds have the potential for capital growth and pay nominal dividends. These funds typically perform well over the long term, and make a good college investment for parents who can hold them for a comparatively long time.

At this point also, U.S. readers might want to consider the pros and cons of guaranteed-tuition plans, described on page 10.

Those who have just started saving, on the other hand, will find the instruments listed in the birth-to-kindergarten section more suitable. You should start at the level you can afford and feel comfortable with.

When Your Child is in High School

You need to become more conservative when your child heads to high school. Safety, liquidity, and preservation of capital are highly important. To be sure the funds will be there when you need them in a few years, start reducing your risks by gradually transferring any funds from stocks to Treasury notes, five-year bank CDs, money-market funds, zero-coupon Treasury bonds, EE savings bonds, money-market deposit accounts, and other short-term investments with good current income and yield.

Now that your capital and experience have increased, it may be time to consider a total return or balanced mutual fund (consisting of bonds and common and preferred stocks) that offers a combination of current income plus capital appreciation.

If you've only begun to save, you've just five or so years to get it together and fewer options than the early starters have had. You too need safety, liquidity, and preservation of capital; *don't try to make up for lost time by taking the high-yield, high-risk route.*

This might also be the time to consider *income shifting*, under which parents put savings into their child's name to reduce the tax bite. The money of course grows faster. The procedure takes advantage of U.S. tax reform laws stating that, when a child reaches 14, all of his or her unearned income (interest, dividends and capital gains) are taxed in the child's bracket. Income shifting is of value primarily to parents with higher incomes whose chances of getting financial aid are slight.

To summarize: In the early saving years, all the investments suggested here could be characterized as conservative. In the middle period an aggressive or semi-aggressive investment may be introduced into the mix, by those who feel comfortable with the prospect and who started saving early. In the last period, however, the portfolio should consist of conservative, mostly fixed-income investments once again.



Investments Suitable for College Savings

All of the following investments generally serve well in a college-savings plan, but the mix that would be best for you would not necessarily be best for other people. Your selections should, as we've just indicated, be based upon the number of years you have to save; your level of knowledge and experience in investing; your temperament—are you risk-averse or financially adventurous?; and the amount of time you're willing to spend monitoring your portfolio.

Our aim is to help you become sufficiently knowledgeable to identify the best investments for you to purchase and the most advantageous times to do so. A rule of thumb: whenever you're ready to put money into a particular type of investment instrument, shop carefully to find the best product available.

Take special note of the tax-advantaged investments that follow. (Each one is marked with an asterisk.) Some tax-advantaged plans available strictly to Canadians are described in the section that begins on page 12.

Passbook Account

A passbook account generally pays the lowest interest rate of all savings vehicles. Use it just long enough to accumulate the minimum required to open a higher-yielding investment, such as a money-market mutual fund, money-market deposit account or certificate of deposit.

U.S. Series EE Savings Bonds*

The interest earned on Series EE bonds is totally tax-exempt for families earning up to a specified maximum, if held in a parent's name and used strictly for college tuition and fees. This makes U.S. savings bonds among the best of the supersafe investments marked for college costs. They're always exempt from state and local income taxes and even if you don't qualify for the federal exemption, you pay no tax on the interest until maturity or redemption.

Savings bonds are an easy way to save if you can't lay your hands on large sums of money. They're purchased from commercial banks, S&Ls, Federal Reserve Banks, and through payroll deductions, at no transaction cost. And, because their principal is backed by the U.S. Treasury, savings bonds are extremely safe as well.

They sell at a discount to face value; a \$50 bond costs only \$25, in other words. Denominations range from \$50, \$75, and \$100 up to \$10,000. The variable interest rate provides some inflation protection. Adjusted each May and November, it's equal to 85% of the average five-year Treasury bill rate. There's no cap on how high it can go, but purchasers are *guaranteed* a minimum if they hold the bonds at least five years. For the current interest rate, call 1-800-US-BONDS; in Washington, D.C., call USA-8888.

If the bonds are lost, stolen, or destroyed, they will be replaced upon receipt of a valid claim. They can be cashed in after six months, but there will be a penalty.

Certificates of Deposit

CDs, also called *time deposits*, are available in virtually any denomination from \$500 to \$100,000, from banks, S&Ls, credit unions, and stockbrokers. They involve the deposit of a specific amount of money (the typical minimum is \$500) for a specified period of time—usually from one month to five years. Generally, the larger the deposit and the longer the maturity date, the higher the interest rate. If you have the opportunity to pick your own maturity dates, which a number of financial institutions permit, time them to match tuition bills.

CD yields are competitive with MMDAs and Treasury bills, and interest rates may be fixed or variable. Many CDs offer simple interest, but compound interest is definitely preferable. Ask how often it's computed; daily is best. When the CD matures, the interest is taxed as ordinary income.

There typically are substantial penalties if you cash CDs in early. Those purchased from banks, S&Ls and credit

unions usually are federally insured up to \$100,000.

Money-Market Deposit Accounts

MMDAs, created by banks and thrifts to compete with money-market mutual funds, are quite similar to them but are considered safer because they're insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC). A minimum deposit is required. MMDAs are regarded by many financial experts as the best short-term demand deposit account with the guarantee of safety of principal by the federal government.

Interest rates are set by the banks, thrifts, and credit unions, usually monthly, so they don't lock in a predictable yield. They pay one or two percentage points more interest than a passbook account, but less than money-market mutual funds.

Some institutions impose no service or transaction costs as long as the MMDA exceeds the minimum balance. If it goes below the minimum, the institutions can impose a penalty, usually lowering the interest rate paid. Because MMDAs are highly liquid, you can withdraw your money at any point without penalty. There are restrictions, however, as to the number of transactions you are allowed and the number of checks you can write each month.

Zero-Coupon Treasury Bonds*

Zero-coupon Treasury bonds work like savings bonds, except you buy them from a stockbroker. A \$1000 zero yielding 9% and maturing in 18 years, for example, sells for \$205 today, making them a boon to financially strapped parents. They're virtually risk-free and cost a fraction of what they pay out at maturity. (Periods range from 10 to 20 years.) The longer you're willing to tie up your money, the better the yield.

Zero Treasuries are particularly desirable for meeting a long-term goal like college tuition because you know in advance exactly how much income and appreciation you can count on in the future. Also, you can be sure of redeeming a zero at full face value,

*A tax-advantaged investment.

regardless of fluctuations in interest rates between purchase and maturity.

Zero Treasury bonds are callable, however, which means the Treasury could insist upon your redeeming them before the maturity date. This could happen if interest rates fell so much that the Treasury would save money by issuing new bonds at lower rates. You'd be offered a premium price for yours but it would probably be difficult to find new bonds that paid as well.

Another negative to zero-coupon Treasuries is that you must pay federal taxes on the income earned each year, even though you don't collect any income until the bond matures. They are exempt from state and local taxes.

Consider zero-coupon Treasury bonds with maturity dates that coincide with high school graduation. Spread out the dates and you'll have some protection against short-term interest-rate fluctuations.

Baccalaureate Bonds*

These special zero-coupon municipal bonds, designed for college savings, are now issued by a number of states. They provide built-in compound interest that you can't easily get from ordinary bonds and are tax-exempt at the federal level and in the issuing state if you live there. Baccalaureate bonds are usually sold in smaller denominations than regular municipals and are not callable, an advantage they have over Treasury zero-coupon bonds. They too pay all their interest at maturity, so can be timed to pay off in the months you'll need money for college.

Financial advisers caution against putting all your eggs in this or any other fixed-income basket, however. Inflation could erode your earnings.

Money-Market Mutual Funds

Money-market mutual funds are considered by many financial experts to be among the best all-round places to keep savings you plan to use soon. They consist of short-term, high-quality debt issues such as U.S. Treasury bills, government bonds, jumbo CDs and prime commercial paper (debt obligations of blue-chip companies). Money-market mutual funds offer

competitively high yields, instant liquidity and strong safety. Although they aren't insured by the federal government, there's never been a failure in one of them as of this writing.

You can buy money-market mutual funds directly from the mutual-fund company. Although you have to maintain a minimum balance, you can add or withdraw money (in certain stated minimums) at any time without penalty or fee. Check-writing privileges are often available too.

Interest is taxed as ordinary income in the year it's earned unless the fund is tax-exempt.

Growth-Stock Mutual Funds

Investment advisers consider growth-stock mutual funds one of the best investment choices for long-term college savings because they offer the potential for substantial capital gains. Sometimes you can open an account for as little as \$500. Many of these funds have a good track record because they frequently invest in well-established companies in strong industries. Taxes usually are low because these funds emphasize capital gains over current earnings.

If you start early and stick with a top fund over the long term—at least five years—it's likely to provide a good return. Always remember that past performance of a fund is no guarantee of how it will do in the future, however.

Dollar cost averaging, which involves investing the same amount of money each month, regardless of market conditions, works very well with growth-stock mutual funds. Over the long run, you end up buying more shares when the cost is low and fewer when the price is high.

Reinvestment of dividends, in which any return is added to your original investment instead of being paid to you, is also an excellent way to maximize gains.

Guaranteed-Tuition Plans

These prepayment plans, in various forms, are offered by several states for their own residents, by a number of private colleges and by a few investment firms. They include tuition-

stabilization plans, tuition-futures plans, and prepaid-tuition plans. The major advantage to all of them is that the schools involved will either not raise tuition during a student's enrollment or will limit any increases to a specified amount.

A number of colleges and universities offer variations of *tuition-stabilization plans*, under which the college promises not to raise tuition during the sophomore, junior and senior years. Call a school that interests you and find out if it offers a plan like this. Some schools will even lend you the money!

Under *tuition-futures plans*, parents can pay the tuition up to 18 years in advance at reduced rates. State tuition-futures plans vary in particulars, but basically, parents give their state of residence a sum of money to invest that guarantees four-year tuition coverage (and sometimes room and board) in a state school when their child is ready to enroll. Should costs exceed the amount of money paid in, the plan makes up the difference. Usually, if desired, the parents can finance the amount over several years. The younger the child, the lower the payment.

The *prepaid-tuition plans* offered by some investment firms generally charge an amount equal to the current tuition of a school, and provide a guarantee that tuition costs will be paid when the youngster starts college. Under at least one of these plans, the money invested does not have to be used for college expenses at all. Investors can redeem their shares as they would with any mutual fund.

All these plans may involve some element of risk, so before investing in one, find out what conditions are imposed. For example, problems could develop if a child failed to meet the entrance requirements or chose to attend a school not covered. In this case, parents might get back their original investment only, without interest. Should the student be unable to maintain acceptable grades or drop out, the prepayment plan might have to be forfeited entirely.

*A tax-advantaged investment

Borrow From Yourself

Many families wait until their children are high school seniors before they start thinking about how they're going to pay for college. If your son or daughter will be enrolling soon and you have few savings to contribute to the cause, don't despair. If you have a retirement plan or substantial equity in your home, your solution may be, in effect, to borrow the money from yourself. If you happen to have whole life insurance, find out if your policy allows you to borrow from it. Be aware, however, that your estate will be reduced by the amount you take out unless it's repaid.

Borrow From Your Retirement Plan

If you have a retirement plan and it has a loan provision, the IRS allows you to borrow up to a specified maximum, without taxes or penalties, as long as the principal is repaid within

five years. And, since the interest payments go back into your account, the loan is virtually free. Find out from your latest plan statement how much you're eligible to borrow, or request this information from someone in the benefits department.

Take Out a Home Equity Loan

The equity in your home—the difference between the balance of your mortgage and its current market value—might help you bridge the gap between cash flow and college bills. A home equity loan is a form of revolving credit, usually accessed by writing checks, in which one's residence serves as collateral.

Rates are generally lower than those of other forms of credit and it's one of

the few loans, in fact, on which tax deductions for interest are still allowed. You pay interest only on the amount you borrow; the rates, either fixed or variable, depend on the lender. Lenders often establish a line of credit from 50-85% of the current market value of the home, minus what you owe on your first mortgage.

It's important to shop around for a home equity loan. Look carefully at each credit agreement and learn the terms and conditions of it, including the annual percentage rate (APR), as well as the closing costs, other upfront fees, and prepayment penalties.

Since your home is your collateral, don't forget that, if you fail to repay the loan, you could lose it.



For Canadian Readers

Since the types of investments most suitable for college-savings funds in Canada are much like those in the U.S., we'll confine the discussion in this section to those available in Canada only. Canadian financial aid is discussed on page 18.

Canadian Savings Instruments

Canada savings bonds (CSBs), which can be purchased through banks, trust companies, and payroll deduction plans, are available in denominations ranging from \$100 to \$5,000; interest may be paid annually or left to compound until maturity. Interest rates and maturities vary. Because CSBs are on sale just one week each year, you need to plan ahead if you wish to purchase any.

Term deposits and guaranteed investment certificates (GICs) are similar to CDs in the U.S. Issued by banks and trust and mortgage companies, these generally require investments of between \$1,000 and \$5,000, for periods of one to five years. Canadian **certificates of deposit**, with a minimum deposit of \$5,000, are for a shorter term than one year.

Tax-Advantaged Savings Plans

Two government-sponsored plans that can help Canadian parents meet their children's college expenses are the monthly *Family Allowance* and the *Registered Education Savings Plan (RESP)*.

Family Allowance cheques are issued monthly by Health and Welfare Canada to parents with children up to age 18. If parents deposit the cheques in an account registered in their child's name, the income is taxed in the child's bracket at a much lower rate. The Allowance can thus serve as the first step in funding a college education.

An RESP also allows tax-sheltered investments for children, so long as any

income from it goes for postsecondary school education. Contributions (\$1500 annually is the maximum permitted per beneficiary) are not tax-deductible but earnings compound tax-free until paid out to the student beneficiary. (Taxes are low at this point because so few students have substantial incomes.) RESP plans have a maximum life of 21 years.

Qualifying institutions include universities and community colleges in Canada or elsewhere. There are no academic requirements—only that the student be officially enrolled on a full-time basis.

There are two basic types of RESP—the nonprofit scholarship foundations and individual RESP plans, including self-directed and mutual-fund investment plans offered, for example, by trust companies, brokerage houses, mutual-fund dealers and life insurance subsidiaries.

The nonprofit foundations. These plans, also known as **scholarship trusts**, offer participation in group investment pools, into which investors make annual, monthly, or lump-sum payments. The funds are invested in nonspeculative, government-guaranteed vehicles and the *principal* is returned to investors upon maturity of the plan. The *interest* is divided among all the beneficiaries who go on to higher education. This type of RESP is often preferred by conservative investors who want their funds managed for them.

A notable drawback to a nonprofit RESP, however, is that parents stand to lose money if their child doesn't pursue a postsecondary education. The plan can be transferred to another child only under specified conditions and, if these aren't met, the income is forfeited and remains in the pool. Eventually it's divided among the students who continue their education.

For additional information on a scholarship trust, consult a financial adviser.

Individual RESP plans. These plans, which range in risk from low to

moderate, are offered by and through several investment and insurance companies. There are no restrictions on the type of securities you can hold—Treasury bills, mutual funds, government or corporate bonds, any publicly traded equity, etc.—and some plans can be transferred among children at any time. Investing in individual RESP plans requires some market and investment knowledge, however.

Before you commit yourself to an RESP plan of either type, it would be wise to investigate several of each. You might also do well to seek the guidance of an accredited financial planner. There may be better ways for you to save for your children's education, such as a mid- to long-term investment in mutual funds. Your earnings would receive preferential tax treatment under current Canadian tax legislation.

Financial Aid

What if you are unable to set aside enough money to cover all the costs of a college education for yourself or your children? If college is fast approaching and you think you may need some help in meeting the costs, one source to investigate is financial aid. It is available to people of all ages and many income levels who demonstrate some type of need.

Financial aid comes from four sources: federal and state governments, colleges, and private sponsors such as businesses and community groups. By far, the major portion of student aid comes from the federal government through a variety of scholarship, loan, grant, and work-study programs.

Although the application process may seem complicated, the basic concept of financial aid is quite simple. A standardized formula is used to determine the amount of money a family can be expected to contribute to a college education. In theory, that is all the family will be expected to pay out-of-pocket, whether the child chooses a community college or an Ivy League institution. The same holds true for adults returning to or just beginning school.

The maximum amount of financial aid you can receive, also known as your need, is expressed by the following equation: Cost of attendance at a particular school minus the expected family contribution equals need.

Applying for Financial Aid

You cannot apply for federal financial aid on the admissions application submitted to the college. Instead, you must fill out a separate need analysis form, which is sent to and processed by a need analysis servicer.

You must reapply for financial aid each subsequent school year because your family's circumstances may change. However, if you received financial aid in a previous year, you will

probably continue to receive similar need-based funding the next year. In addition, to continue receiving money from the federal government you will have to meet specified academic requirements.

Although need analysis forms are commonly referred to as financial aid applications, the former term is more accurate and will be used in this booklet except when referring specifically to the financial aid applications required by the individual colleges.

There are several standard need analysis forms, each processed by a different servicer. You should complete the one that the college requires, and many schools will ask you to complete one of their own financial aid applications as well.

Following are some of the most commonly used forms:

- the **Family Financial Statement (FFS)** of the American College Testing Program (ACT)
- the **Financial Aid Form (FAF)** of the College Scholarship Service (CSS)
- the **Application for Federal and State Student Aid (AFSSA)** of CSX Commercial Services
- the **Application for Pennsylvania State Grant and Federal Student Aid** of the Pennsylvania Higher Education Assistance Agency (PHEAA)
- the **SINGLEFILE Form** of the United Student Aid Funds, Inc. (USAF)
- the **Application for Federal Student Aid (AFSA)** of the U.S. Department of Education, processed by the College Scholarship Service

These forms are available from your high school guidance counselor, from the college financial aid offices, and from the servicers at the addresses listed on page 30.

Information pertaining to the parents' and student's income and assets during the previous year will be asked. In most cases, parental assistance is required even if the high school student is assuming most of the responsibility for obtaining aid. (The *Current Income and Expenses* and *Your Net Worth Statement* charts you completed on pages 4 and 6, along with a copy of your previous year's income tax return, will help in filling out the forms.)

If you will be at least 24 years old by the end of the year or meet one of the other specific criteria defining an independent student, you will not have to provide parental data on your forms unless the college requests it.

Although income tax returns are not due to the IRS until April 15, make reasonable estimates and submit your need analysis form as soon as possible after January 1 of the year you plan to enroll, since some programs distribute funds on a "first come, first served" basis. Check with each school to find out when their deadlines are.

Financial aid administrators are required to verify a certain percentage of forms by comparing the information provided with income tax return data. If your estimates are off by more than a predetermined limit, you will have to correct your application. This means more work for you, and a delay in receiving your aid package. Therefore, be as accurate as you can. Make copies of all the forms you submit and don't forget to enclose the processing fee if there is one.

Processing the Need Analysis Forms

When your need analysis form is completed, send it to the appropriate servicer. The data on each of the forms is evaluated according to the Congressional Methodology formula, which considers parents' and student's income and assets, family size, number of college students in the household, and other factors needing individual consideration.

The end result of the analysis process is a dollar figure indicating what the student and parents can reasonably be expected to contribute to a college education. This family contribution estimate is then sent to the applicant and to the schools.

Creating a Financial Aid Package

Upon receiving the report stating the amount of money the student and parents can be expected to contribute to an education, the financial aid administrator creates an aid package. As mentioned earlier, your need is determined by subtracting your family contribution from the cost of attending the college. The cost of attendance, which includes tuition, fees, books, supplies, room and board, personal expenses, and transportation, differs from school to school and student to student. Therefore, while the aid packages from each college may vary, the expected family contribution generally remains the same.

If your family's circumstances change (illness, death, or unemployment, for example) after you have applied for aid, notify the financial aid administrator who may be able to adjust your package.

Financial aid packages are usually a combination of loans, scholarships, grants, and government or school-sponsored employment programs. Each school you applied to will tell you the cost of attendance, your family contribution, and the amount and type of aid you will receive from each source. It is up to you to accept all, part, or none of the package or to request revisions.

Finally, you will be given a deadline to respond to the school's financial aid office. This response only reserves your package; you are not required at this time to make a final decision to attend that school. However, if you accept an offer of aid from a college you later decide not to attend, be sure to notify the school so they can offer the funds reserved for you to someone else.



Components of a Financial Aid Package

Scholarships

Scholarships are monetary awards given to students by a variety of sources, including federal, state, and local governments, colleges, businesses, and community and religious groups. The nice thing about scholarships, as opposed to loans, is that you don't have to pay the money back.

Need-based scholarships are distributed only to those students who require financial assistance, usually in combination with academic talent or other requirements.

The more common merit scholarships are awarded without considering need to students who have excelled academically, who have some special talent, or who are members of certain religious, ethnic, or community groups. Recipients often must maintain a good academic standing in order to keep these awards.

When a scholarship is given, it must be included in the aid package. Typically, scholarship money is deducted from the assistance portion; the amount your family is expected to contribute will generally remain the same.

However, by receiving scholarship money you may require fewer loans, which amounts to savings in the long run. Scholarships may also reduce the number of hours you have to work, and if the school is unable to fully meet your need, they may help cover the unmet costs.

Finally, scholarships and grants that cover tuition, fees, and books are tax-free. However, awards used for room, board, and living expenses are considered part of the student's taxable income. You are responsible for reporting this on your tax return; no statement will be issued by the school.

National Merit Scholarships

National Merit Scholarships are funded by colleges and businesses to reward academic performance. To apply, simply take the Preliminary Scholastic Aptitude Test (PSAT), usually during your junior year in high school. Besides being good practice

for the Scholastic Aptitude Test (SAT), a standardized test required for admission to many colleges, taking the PSAT automatically enters you in the competition. National Merit Scholarships are awarded to students on the basis of their test results, with additional scholarships being given to minority students who score well.

Other Sources of Scholarship Money

There are many other organizations that award scholarships to deserving students. You may qualify for some of them, but you have to be willing to invest some time and effort in the search. Some places to look include:

- **The Federal Government.** The government offers several scholarships based on academic achievement. The most generous scholarship programs are those of the military academies and the ROTC. Both will pay a large percentage of your college costs, but you will be expected to serve in the military after graduation.
- **State Governments.** Whether your state awards scholarships based on need or merit depends on where you live. Often scholarship money can only be used at a state school, so check this out if you plan to get your education out-of-state.
- **Colleges and Universities.** Individual schools offer a variety of need and merit scholarships to enrolling students. Financial aid administrators can provide more information.
- **Private Sponsors.** Businesses, community organizations, religious and ethnic groups, civic associations, clubs, and unions may also offer scholarships.

To find out more about scholarships, contact your high school guidance counselor, financial aid administrator, or your state's postsecondary or higher education commission. In addition, several books list scholarship sources.

Check your local library, bookstore, or the *Suggested Resources* section at the back of this booklet.

Grants

Grants are like scholarships in that they are outright gifts of money; you don't have to pay anything back. There is, however, a subtle difference between scholarships and grants. While some scholarships are awarded solely on the basis of need, most are given to students with certain qualifications: academic achievement, athletic ability, or group membership, for example. In contrast, the only prerequisite for receiving a grant is demonstrated need. Some grants come directly from the colleges or from the states, while others are provided by the federal government in the form of Pell Grants and Supplemental Educational Opportunity Grants.

Pell Grants

Pell Grants are the federal government's largest non-loan program and form the basis of most undergraduate financial aid packages. Congressional funding determines the amount of money available, so award amounts change from year to year.

Financial aid administrators need to know if you qualify for a Pell Grant and the amount of the award before they can create your aid package. In fact, you must have your eligibility for a Pell Grant determined in order to receive federal financial aid from a college or take out a student loan. To apply, use any one of the need analysis forms discussed earlier and be certain you authorize the release of your data to the Department of Education.

A separate formula, the Pell Grant Methodology, is used to determine your eligibility for a Pell Grant. The need analysis servicer will send you a Student Aid Report (SAR), stating your Pell Grant Index (PGI) number, which the aid administrator uses in calculating the amount of your grant at a particular school.

Whether or not you are eligible for a Pell Grant, make copies of your Student Aid Report and mail them to the schools where you are applying. Once you decide which college to attend, however, you must send an original Student Aid Report to that school in order to receive your award. Duplicate original reports are available.

Supplemental Educational Opportunity Grants

Supplemental Educational Opportunity Grants (SEOGs) also use money provided by the federal government, but funds are distributed in a different way. The government supplies colleges with a lump sum of money. It is then up to the individual financial aid administrators to distribute grants to undergraduate students with need. However, the government does not provide enough money to assist all students who qualify, so apply early to receive a Supplemental Educational Opportunity Grant.

Work-Study Programs

Not to be confused with part-time employment, work-study is a component of financial aid packages in which colleges provide jobs to help students pay for an education. Work-study programs are funded by the school or the federal government.

Work-study jobs funded by the colleges are typically on-campus, with employment sites in places like the dining hall, academic or administrative offices, library, or computer center.

In contrast, jobs funded by the federal government through the College Work-Study (CW-S) program may be on- or off-campus. Financial aid administrators place you in a College Work-Study job, but the majority of your salary comes from the federal government. Because placement procedures vary from school to school, be sure to follow up with the aid office to locate a job.

In the CW-S program you generally cannot earn more money than is indicated in your financial aid package. For

example, if College Work-Study is to contribute \$500 to your education, once you earn that amount, your job will usually end for the year. Also, if you don't work enough hours, you will not receive the balance of the award.

Loans

Even with scholarship, grant, and work-study money you still may not be able to meet college costs. Loans will typically make up the rest of your financial aid package. Although the majority of educational loans are provided through federal government programs, there are other sources as well.

Government Loans

Most federal student loans are made through commercial institutions, but have special provisions. They tend to carry lower interest rates than commercial loans and usually have advantageous repayment schedules. There are maximum amounts which can be borrowed, however.

Many financial institutions are willing to make student loans because they are insured by a national or state guaranty agency and then reinsured by the federal government. The government also pays the lender the difference in interest rates between lower-priced student loans and commercial loans.

Carl D. Perkins Loans

Under the Perkins Loan Program the school acts as the lender, distributing money primarily to needy students. Perkins Loans have modest interest rates and neither principal nor interest need be repaid until nine months after you have left school.

Because it is a "revolving loan fund," the amount of money available in a particular year depends upon how much the government supplies and how much former students pay back. The federal government penalizes schools with high default rates by providing them with fewer new funds.

Stafford Loans

Stafford Loans are also need-based and are the most common type of federal student loan. However, unlike Perkins Loans, these loans are made through commercial institutions. Under the Stafford Loan Program you don't have to make any payments while you are in school or for a six-month grace period after your enrollment drops to less than half-time status.

The amount of money you can borrow is based on the concept of "remaining need," which is determined by subtracting your family contribution and the other aid you will receive from the cost of attending the college.

Because the application process for Stafford Loans is rather lengthy, you should apply as soon as possible after you have been accepted at the college of your choice and notified of your aid package. Remember, as in all other aspects of the financial aid process, you must reapply yearly.

Stafford lenders include most banks, savings and loans, credit unions, and insurance companies. To apply for a Stafford Loan, obtain an application from the lender, the college, or a guaranty agency. There is a section of the form that you must fill out and another to be completed by the college, which indicates the amount you can borrow. The guaranty agency ultimately approves your application.

In order to receive a loan you must sign a promissory note, a legal document in which you promise to repay the loan to the lender. It states the conditions of the loan and the repayment terms. Save your copy of the application and promissory note for future reference.

The lender will send the loan checks to the college. After reconfirming your eligibility, the school will release the loan money to you, either by applying it toward your bill or by giving you a check. You are responsible for carefully budgeting any funds you receive.

Some fees are connected with Stafford Loans. An origination fee goes to the government to help subsidize the

loan. In addition, guaranty agencies can also charge a guarantee, or insurance, fee. Although the origination fee is uniform throughout the program, the insurance fee varies according to the guaranty agency. These fees are withheld from the loan proceeds before they are sent to the school for delivery to you.

PLUS Loans and Supplemental Loans for Students (SLS)

PLUS loans are designed to help parents pay for their child's education, while Supplemental Loans for Students (SLS) are made to graduate and professional students and independent undergraduates. Unlike other types of student loans, these loans are not need-based. You simply must demonstrate that your college costs or those of your child are higher than any aid that will be received.

Such loans are typically used to help finance the family contribution portion of a college education, to cover unmet need, or to assist families whose incomes are too high to be eligible for other types of financial aid.

Your credit history will be taken into consideration when applying for a PLUS or SLS loan and there are some other restrictions. In order to receive an SLS loan you must have your eligibility determined for a Pell Grant and a Stafford Loan. Furthermore, PLUS or SLS loans, along with the other aid you receive, cannot exceed your college costs.

PLUS and SLS loans carry variable interest rates which change yearly. Repayment begins right away, not after graduation and a grace period. However, a deferment of repayment of principal (not interest) may be obtained for SLS borrowers while they are in school. For more information about other situations which may qualify you for a deferment, see page 26. Guarantee or insurance fees may also be charged, but there is no origination fee.

The application procedure and lenders for PLUS and SLS loans are the same as for Stafford Loans. However, with PLUS loans the parents receive the funds. SLS loan money is sent to the school for delivery to the student.

Loans From Other Sources

Although federal student loans tend to have favorable interest rates and repayment schedules, they are by no means the only type of loan available to help meet college costs. Many states make loans to both residents and non-residents for attendance at in-state and out-of-state schools. For more information, ask the state education agency, the college, or your high school guidance counselor.

Also, some colleges lend money to enrolling students. Your financial aid administrator can give you more information. In addition, many private agencies offer educational loans.

Finally, remember that commercial institutions such as banks, consumer finance companies, savings and loans,

and credit unions also offer several types of loans that can be used to finance a college education.

The Tax Reform Act of 1986 has made home equity loans an especially attractive option. (See page 11.) While interest on these loans is still tax-deductible, other installment loans, including student loans, no longer have this advantage.

Whether you have borrowed the maximum amount allowed through federal government programs, or simply want to pay for college without applying for financial aid, commercial institutions offer a variety of financing options which can be tailored to meet your needs.

Now that you have read about the various ways to fund a college education, from saving and investing to borrowing and financial aid, complete the following worksheet to determine the amount of money you have available and the sources you can draw on to pay for an education.



SOURCES OF INCOME TO MEET U.S. COLLEGE COSTS

U.S. Series EE Savings Bonds	\$ _____
CDs	_____
Money-Market Deposit Accounts	_____
Zero-Coupon Treasury Bonds	_____
Baccalaureate Bonds	_____
Money-Market Mutual Funds	_____
Growth-Stock Mutual Funds	_____
Guaranteed-Tuition Plans	_____
Current Family Income	_____
Student's Savings	_____
Student's Summer Job	_____
Loans	
Perkins Loan	_____
Stafford Loan	_____
PLUS/SLS Loan	_____
Home Equity	_____
Commercial	_____
Other (i.e., state- or school-sponsored)	_____
Scholarships	_____
Grants	_____
Work-Study Job	_____
Other Sources of Funds	_____
Total Amount Available to Finance College Costs	\$ _____

Canadian Financial Aid

In many ways, financial aid in Canada and in the United States is quite similar. In both countries, aid is a combination of loans, grants, and scholarships funded by the federal government, the provinces/territories or states, and the institutions. However, institutional aid is not as significant in Canada as it is in the United States.

Each Canadian student applying for aid must complete a need analysis to determine the amount of financial assistance he or she is eligible to receive. Financial aid is distributed as provincial/territorial assistance through loans and grants, and/or federal assistance through the Canada Student Loans Program (CSLP).

The need analysis and loan authorization portions of the Canada Student Loans Program are administered by the provincial/territorial governments. Other features of the program, such as loan guarantees and interest subsidies while students are in school, are administered by the federal government.

For additional information about financial aid in Canada, contact the provincial student aid authorities or the student awards offices at postsecondary institutions.

Reducing the Burden of College Costs

Whether you are a recent high school graduate or an adult, attending full- or part-time, living in the dorms or commuting, and regardless of whether or not you receive financial aid, there are ways to ease the burden of paying for a college education. Some you must investigate before deciding which school to attend; others you can take advantage of after entering the halls of academia.

One option is to get a part-time job to contribute to both tuition and day-to-day expenses. In addition to the extra money a job will provide, studies have shown that working students tend to have better grades, probably because they learn to budget their time effectively. For adults already working full-time, there are other alternatives which will be discussed later.

Cooperative Education

Another way full-time students can combine college and employment is to participate in a cooperative education program. Co-ops combine college courses with related on-the-job work experiences. Typically, you attend classes for half the day and work the other half, or alternate going to school for one term with working the next.

You cannot apply for co-ops until after you are enrolled in a college. Therefore, if you would like a cooperative education, be sure to apply to schools that offer programs in the career field that interests you. Employment experiences can be with federal government agencies or in the private sector.

There are several advantages to co-ops. To begin with, you can earn money to help defray college expenses. In addition, your classes become more meaningful because they relate to your work experiences. Finally, co-ops can make it easier to get a job after graduation because of the work skills gained. However, it will often take an additional year to earn your degree.



Tuition Reimbursement Plans

While part-time jobs and co-ops will increase your income, they are not practical alternatives for everyone. Another way you might meet your expenses is to find ways of reducing your cost of attendance.

Adults working full-time may be able to take advantage of tuition reimbursement plans. Such programs allow you to take college classes at your employer's expense. Tuition reimbursement programs are offered by many organizations.

Given recent technological advances and increased international competition, an educated work force will be a necessity in the future. Furthermore, the trend to job and career changing, as well as the influx of women and minorities into the workplace, will make re-education over the course of a lifetime increasingly important.

Whether you are already employed and want to take college classes or are looking for a job and comparing benefits packages, there are some things to know about tuition reimbursement. Many employers place restrictions on their programs, such as requiring you to maintain a specific grade point average, remain with the company for a certain amount of time, pay the school

before you are reimbursed, or take only job-related courses, in exchange for financing your education.

Finally, when inquiring about tuition reimbursement, ask the benefits department whether or not compensation for your education is considered as taxable income.

Other Ways to Lower the Cost of Attendance

- Take advantage of reduced tuition offers. Many schools give discounts to older students, alumni children, two members of the same family, student leaders, or children of faculty and staff.
- Attend a local community college where tuition is lower. After a year or two, you may want to consider transferring to another school to finish your education. In addition to maintaining a good academic record, you should be sure that the classes you take will transfer in full.
- Reduce the number of credit hours needed for graduation, since many colleges charge tuition on a per credit basis. Some schools will give students credit for Advanced Placement (AP) coursework completed in high school. Others offer 3-year degree programs.

Money Management for College Students

In addition, adults can take advantage of the College-Level Examination Program (CLEP), which tests knowledge gained outside the school setting. Depending on your test results, you can get up to 1 or 2 years of college credits.

- Take classes at less popular times. Tuition may be lower for courses meeting at night, during the summer, or on weekends.
- Live off-campus if rent and food costs will be lower than the room and board plan offered by the college. Sharing an apartment and cooking your own meals, living in a less expensive neighborhood, or renting a room in someone's home are just a few of the cost-cutting options available. Upperclassmen who agree to live in the dorms as resident advisors (RAs) usually get their room and board free.
- Investigate the Montgomery GI Bill. Although military service is required before you attend college, the government will contribute a large sum of money toward your education.
- Look into guaranteed-tuition plans. While you may be required to make a deposit or pay for four years in advance, your tuition will not increase after the freshman year. The tradeoff: if college costs don't rise much, you would be better off saving or investing the money.
- Ask about installment plans offered by the college or independent agencies. Although they won't actually reduce your costs, it may be easier for you to make several smaller payments throughout the year rather than a lump sum at the start of each semester. Things to look for in evaluating an installment plan include: down payment, fees, interest rate, and repayment schedule.

After months of paperwork, anticipation, and planning, you've managed to obtain enough funding to attend college. However, your financial concerns won't end just because classes have begun.

Your first challenge is to identify all your college-related costs, your second is to create a financial plan to meet them. This may be the first experience you've had in managing this amount of money by yourself and it is important to do it well.

The acceptance of personal checks and credit cards on college campuses, combined with the availability of ATMs, makes it all too easy to spend more than you can afford, affecting your credit history for years to come. Therefore, it makes sense to get a handle on your expenses now, before any damage is done.

Day-to-Day Expenses

If you just graduated from high school, you will undoubtedly be surprised at how much money you'll spend every day while on campus. It's easy to take for granted all the things your family paid for over the years while you were living at home. Even if you're a working adult student, you may be unaware of the "hidden" costs of an education.

Although the amount you spend will depend to some degree upon your lifestyle, there are several types of expenses common to college students.

• Academic necessities.

Educational expenses not covered by your tuition payment include: lab fees, late registration fees, library fees and fines, supplies (notebooks, pens, etc...), and photocopying. These items add up over the course of a year. In addition, access to a computer, word processor, or typewriter is a must. Whether you choose to buy your own, borrow, or use the

facilities made available by the school, remember the costs associated with this high-tech equipment, like computer disks and typing paper and ribbons. Your most costly academic expense, however, will probably be for textbooks. Buying used books, selling your books back at the end of the semester, and sharing texts with a classmate can help here.

- **Food and drink.** Although you may be enrolled in a meal plan offered by the school, you can be sure that all of your meals won't be eaten in the dorm cafeteria. Eating out and drinking are both popular social activities that tend to be costly. Even inexpensive snacks like soft drinks, candy bars, coffee, and pizzas can put a dent in your wallet if they are part of your daily routine. For those students who are not on a school-sponsored meal plan, food costs can really add up if you frequently eat out or order in. Just remember that although such eating habits may save time, they cost money.
- **Recreation.** Recreational expenses depend upon your interests and lifestyle. Sporting events, concerts, movies, parties, cultural activities, road trips, spring break, and fraternity/sorority functions are just a few of the ways to spend money when you're not busy hitting the books.
- **Transportation.** Your costs in this area will depend upon whether you go away to college or attend a school in your community. If you are far from home, making holiday travel arrangements early can help you get the cheapest rates. Even if you attend an in-state school, travel expenses can be costly if you go home frequently. Getting around on campus or commuting to school may require money, too. While walking or riding your bike are the cheapest modes, this may not be

possible year-round in certain climates. Therefore, you may occasionally use public transportation. If you drive, you might have to pay parking and registration fees in addition to insurance, gas, and upkeep costs. While your financial aid package takes transportation costs into consideration, it doesn't cover the expense of owning or financing an automobile.

- **Miscellaneous.** Phone bills, laundry, personal care, dorm room or apartment furnishings, clothes, refrigerator rental, and other miscellaneous expenses can also add up. You name it—it costs money when you're living on your own.

Setting Up a Financial Plan

Now that you have some idea of what your expenses will be, you can create a budget to help you live within your means. Many a freshman has run out of

funds after only a few months at college, but making a financial plan will help you allocate your money so that it lasts the entire school year.

While at college your expenses won't necessarily coincide with your income. For example, in September and January expenses will be high because of tuition and book costs. But don't go on a spending spree just because your money requirements in October may be lower. You will need these funds later in the year. It is important to think beyond the present, to know what income you will have, and to get an idea of what your expenses will be.

If you are still dependent on your family, and they are good money managers, ask for help in creating your school budget. You should determine how much, if anything, your family will be contributing to your expenses. If guidelines are established up front, you won't have to call home in the middle of the year begging for money, especially when you know funds simply won't be

available. An important part of your education is learning to live independently, and this includes managing your finances.

When you begin college it is important to become aware of your new spending habits. Recording all your purchases in a small notebook for a few weeks is a good way to determine what your expenses are and ways you can control spending.

Any time your living situation changes, whether you transfer schools or move from the dorm to an apartment, you will need to reevaluate your expenses. Again, keeping written records for a few weeks will help.

The first step in making your school budget is to determine how much money you will have available for the year. Next, using the notebook in which you recorded your purchases and the guidelines in *Day-to-Day Expenses*, estimate what your expenses will be.

Ideally, your income will be greater than or equal to your expenses. If it

INCOME	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Year
Jobs													
Full-time													
Part-time													
Summer													
Holiday													
Work-Study													
Scholarships													
Grants													
Loans													
Savings													
Family Contribution													
Miscellaneous													
Monthly Total													

EXPENSES	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Year
Tuition and Fees													
Room or Rent													
Utilities													
Phone													
Electricity													
Gas													
Food and Drink													
Board Plan													
Eating Out													
Snacks													
Groceries													
Transportation													
Travel													
Commuting													
Car Ownership													
Installment Debts													
Health Insurance													
Recreation													
Books and Supplies													
Miscellaneous													
Laundry													
Personal Care													
Clothes													
Other													
Monthly Total													

isn't, you will have to find ways to increase your income or reduce some of your expenditures. Some expenses, like tuition or rent, you probably won't be able to decrease. But cutting costs in the food and drink, recreation, and miscellaneous categories can help you bring things into balance.

In creating a school budget, break planning down to a level you feel comfortable with, be it by the week, month, semester, or year. Take some time to carefully make your budget, then show it to someone you feel is a good money manager, like a parent, a counselor at school, or a financial aid administrator. They will be able to tell you if your plan is realistic.

Don't worry if your budget needs adjusting after a month or two at college. A good financial plan must be flexible in order to be effective.

Filling out the charts will help you plan and keep track of your income and expenditures so that your money lasts the whole year.

Checking Accounts

Knowing approximately what and how much your expenses will be, you will have to decide if you want to pay for your purchases by cash, check, or credit card. Each of these methods is appropriate in certain situations.

Opening a checking account will allow you to obtain cash easily and to make purchases that cost more than the amount of money you usually carry.

If you go away to college, it is often advantageous to have your checking account at a financial institution near school rather than at home. This way you can take care of any problems in person. In addition, it is sometimes difficult to cash out-of-state checks.

There are basically two types of checking accounts: regular checking accounts and NOW accounts, which pay interest but usually have a minimum balance requirement.

Some things to consider when shopping for a financial institution in which

to open your checking account include:

- location
- convenience
- service
- hours
- interest rates
- ATM/cash card
- fees and service charges
- minimum balance requirements
- special student accounts

Be sure to record all your withdrawals and deposits in your checkbook ledger. Do this when you write each check; don't rely on your memory.

Balancing your checkbook each month will keep you aware of how much money you have. In addition, fees for bouncing checks can be costly. Although balancing a checkbook is a skill everyone should have, it is rarely taught.

Each month you will receive a statement and, from some institutions, your cancelled checks and deposit slips. However, don't expect the balance in your checkbook ledger to be the same as the figure on the bank statement. This is because some of the recent checks you have written or deposits you have made may not have cleared and therefore won't appear on the statement.

There are several ways to balance your checkbook and many bank statements include a form on the reverse side to assist you in this task. It doesn't matter how you do it. What's important is to find the method that works best for you and then use it every month. Ask for help at your financial institution if you are having difficulties.

Finally, a word about automatic teller machines. They are a wonderful invention because they give you access to your money day and night. But it is this very convenience that makes it tempting to withdraw more than you can afford. Mismanagement of ATM cards can ruin the most carefully planned budget. So save your receipts and record all transactions in your checkbook ledger right away. Don't fool yourself into thinking you will remember every visit to the ATM, because you won't.

Credit Cards

Not long ago it was difficult for college students to obtain credit cards unless they had been previously authorized to use their parents' accounts. Today, however, the situation has changed dramatically. Upperclassmen in particular will find credit card applications arriving in their school mailboxes throughout the year.

Credit card companies have become increasingly interested in marketing to college students because of the amount of money they spend, because they will be their primary customers in the future, and because college-educated people have higher incomes and are perceived as better credit risks.

When used wisely, having a credit card can be advantageous because it allows you to pay for costly items like plane tickets, clothing, and gifts, make purchases over the phone, and rent cars. But few college students have any experience managing credit, and many use charge cards to purchase items they can't really afford.

One basic guideline is to use credit cards only for major purchases that you have already planned for in your budget. *Never use more credit than you can comfortably repay.*

Another way to avoid overcharging is to always use cash for things that are used up quickly, like food and entertainment, and to use credit cards only for major purchases. Keep track of every purchase you make with your credit card, so when the bill arrives you won't be surprised.

Finally, if you will be using a credit card jointly with your parents, be sure to discuss rules for its use before you begin school. Few people realize the obligations entailed in cosigning a loan or credit card application. A cosigner is in effect taking responsibility for repaying the debt if the credit user can't or won't. Just as important, however, is that any problems in repayment will affect the credit histories of both parties. A parent, like anyone else, should carefully consider the risks before cosigning any agreement!

If you have difficulty handling cash, getting a credit card may not be wise. Credit cards are not a necessity for college students. But if you think you can handle a credit card responsibly, there are several things to look for.

- **Annual fee.** Many cards advertise that they don't charge an annual fee, but read the fine print because this may only apply to the first year.
- **Interest rates.** While a low interest rate (Annual Percentage Rate) may be a primary consideration for some, you will save money on finance charges if you pay your bill in full and on time.
- **Billing procedures.** There are three common ways of calculating the balance on a credit card account. Therefore, even with identical interest rates, you could pay different amounts in finance charges, depending on the method used.
- **Credit line.** This is the maximum dollar amount which can be charged on your credit card. Once you establish a favorable credit record, your limit can be increased.

Managing Consumer Credit

Whether you have credit cards or not, you should have a basic understanding of what credit is and how to establish a favorable credit history. In fact, you may already be using credit without realizing it. If you took out any student loans, you have purchased part of your education on credit.

Credit allows you to use someone else's money to obtain goods, services, or cash and pay for it out of future income. Remember, credit isn't free; you are charged interest on the amount you borrow.

A record of your use of credit and your bill-paying habits is collected, stored, and distributed by credit bureaus. When you apply for credit, the lender or retailer will contact a credit bureau which supplies them with your

credit history via a credit report.

The importance of maintaining a good credit history can't be stressed enough. Your credit history is based upon several factors, including your bill-paying habits, your employment history, and your income and debts. An unfavorable credit rating will remain on your record for seven years, affecting your ability to take out a loan, get credit cards, buy a car and make other major purchases on installment, rent an apartment, and, in the future, take out a mortgage on a home.

Because of computer technology, your credit history follows you regardless of where you live. Even if you move out-of-state after graduation, you keep the credit rating you had in college. Keep in mind that you should establish credit only when you feel you can handle it successfully.

How can you establish a good credit history?

- Open a checking or savings account and manage it in a way that shows you can handle money responsibly.
- Apply for a retail charge card, as these are the easiest to acquire. Make small purchases and pay your bills in full and on time.
- Take out a small loan. You can pay off the loan ahead of time, decreasing the total amount of interest charged. By doing so, you can begin establishing yourself as a good credit risk, providing you do not have a lot of other debts.
- Apply for a bank card and pay your bills in full and on time. If you are turned down for a regular card, you may be able to get a secured credit card. Here's how. You will be required to make a deposit, which can't be withdrawn, into a savings account. The dollar limit on your credit card will be the amount in your account. After establishing a good credit rating in this way, it may be easier for you to get a regular bank card.

- Be aware of rent and utility due dates and pay your bills on time.
- Ask your relatives for help. If they have a good credit history, ask them to cosign a loan or apply jointly for a credit card. Just make certain everyone understands his or her liabilities.

What if some unforeseen circumstances arise and you find yourself unable to pay your bills? Don't just ignore the situation. The first thing to do if you can't make payments is to contact the creditor *before* your bills are overdue to see what arrangements can be made. Most creditors, if they are aware of your circumstances and are convinced you intend to pay, are understanding and willing to help. They may defer your payments, refinance the debt to reduce the size of your monthly bills, or allow you to return the merchandise before it is repossessed.

If you find yourself in a serious situation, you should seek assistance from a financial aid administrator or an on-campus financial counseling center, if available.

Another option is to use a nonprofit consumer credit counseling service sponsored by the National Foundation for Consumer Credit. There are over 500 of these branch offices across the United States.

Consumer credit counseling services will help you develop a reasonable financial plan to help control spending and pay off your debts and may also try to arrange new repayment schedules with your creditors. These services can be obtained free or for a minimal charge, regardless of your income.

Do not confuse these nonprofit agencies with "credit repair clinics" that promise to clean up a damaged credit record. It simply cannot be done.

Financial Concerns After Graduation

You did it. Through hard work, not only did you manage to acquire the funds to pay for your education, but you also met all the academic requirements necessary to graduate.

However, just because you have your diploma and may be entering the workforce and earning a regular salary doesn't mean you can forget about money management. Regardless of your income level, you'll benefit by using a financial plan.

If you took out student loans to finance your education, it is especially important that you manage your money well in order to meet your repayment obligations. Maintaining a good credit history is just as vital for graduates as it is for students.

Repayment of Student Loans and Avoiding Default

Repayment of student loans begins at the following times: when you quit school, attend less than half-time, or after graduation and the defined grace period. The exception is PLUS/SLS loans, which don't have a grace period; repayment begins immediately.

Financial institutions may sell federal student loans to a secondary market. If your loan is sold, all your obligations transfer to the new holder. The owner of the loan is kept informed of your enrollment status and, prior to repayment, the Higher Education Act requires the holder to give you certain information, including: the total amount of your loan, where to send your payments, and your repayment schedule.

Use the following chart to keep track of your student loan payments and maintain your good credit history.

If for any reason you are unable to begin repayment as scheduled, or if your address or any other relevant circumstances change, immediately contact the loan holder.

In the long run, a lax attitude toward your repayment obligations can be quite damaging. Each time you miss a payment, interest continues to accrue, meaning you will be even more in debt when the lending institution catches up with you. Furthermore, you will damage your credit rating, with all the consequences discussed earlier.

Failure to repay a loan, termed defaulting, is even more serious. Once your student loan is in default, it is assigned to the guaranty agency that insured the loan. The guaranty agency reimburses the holder of the loan, and in turn is reimbursed by the federal government. The guaranty agency then pursues the borrower for payment.

Unlike other types of loans, defaulted student loans *never* go away; each year the guaranty agencies provide the IRS with a list of all student loan defaulters. So until you repay your loans, the federal government will be notified.

Following are just some of the consequences of defaulting on student loans:

- The IRS can withhold your tax refunds.
- Your name will be reported to credit bureaus, affecting your ability to use credit in the future.
- Your wages can be garnished.
- Collection agencies may come after you, you may be sued, or your property may be seized.
- You won't be able to get financial aid if you want to go back to school.

It is better to make arrangements with the loan holders when you run into difficulties than to default and suffer these consequences.

Type of Loan and Financial Institution	Total Amount Owed	Amount of Monthly Payment	Total Number of Payments	Repayment Begins	Monthly Due Date	Repayment Ends

Deferments and Forbearance

Lending institutions and the government recognize that there are legitimate reasons why students may be temporarily unable to meet their repayment obligations. In these cases, you may be able to get a deferment or forbearance on your loans.

Deferments and forbearance are not automatic. If you qualify, you must contact the loan holder to make arrangements and you also must continue making payments until your applications are approved.

A deferment is a postponement of your federal student loan repayment. During this time interest does not accrue and you are not expected to pay anything. The exception is PLUS/SLS loans, in which your principal is deferred, but you still must pay interest. Typically, deferments last between three months and three years.

Some of the situations in which you can have your student loan deferred include:

- being a full- or half-time student
- teaching in a shortage district
- joining the military or Peace Corps
- being unemployed
- completing an approved internship or residency program
- being temporarily disabled or having a disabled spouse or dependent
- taking a parental leave
- volunteering at a tax-exempt organization

Forbearance is a reduction or postponement of federal student loan repayments, designed for borrowers who are willing to repay their loans but are experiencing financial hardships. During forbearance you can temporarily postpone payments or pay a smaller amount each month. Unlike deferment, you must pay the interest that accrues.

Some of the situations which qualify you for forbearance include: unemployment, bad health, and personal problems.

To find out more about deferments and forbearance, contact your lender or the loan holder.

Loan Consolidation and Prepayment

What if you don't meet any of the requirements for deferment or forbearance but are still having repayment difficulties? As long as you are not already delinquent, consolidating your loans may be an option. As with deferment and forbearance, you should continue making payments until your loan consolidation is finalized.

In order to consolidate your loans you must owe a specified minimum of Stafford, Perkins, and/or SLS loans. PLUS loans and loans from colleges cannot be consolidated. However, school loans are taken into consideration when creating your repayment schedule.

By law, you must contact one of your lenders about consolidation. If none of the financial institutions or guaranty agencies at which you have loans offer consolidation, then you can look elsewhere.

When you consolidate, your loan term is extended and you make only one monthly payment which will be smaller than the combined payments you were making previously. In addition, you may be able to choose a graduated schedule, meaning your payments will start low and increase over time. This can be especially helpful if you are just starting out in a job, because your payments will increase along with your salary.

There are some disadvantages to loan consolidation. Because the longer repayment schedule means you will ultimately have to pay more interest, the total cost of your loans increases over time. Furthermore, consolidated loans allow deferments for fewer circumstances and you will also have to continue paying interest during the deferment term. Also, if you are planning on graduate study, remember that you can only consolidate each student loan once.

While loan consolidation can be a positive thing in some instances, it becomes a problem if it gives you the false impression that you can take on more debt. Therefore, be sure to carefully weigh the pros and cons before applying to consolidate your loans.

Finally, what if you find yourself in the fortunate situation of being able to prepay some or all of your federal student loans? By law, you can do so at any time without penalty. Prepaying even a small amount of your loans will lower the principal, reducing the amount upon which interest is computed. Over the loan term, you will end up paying less money.

However, there are some circumstances in which you might not want to prepay your student loans. If you have other debts charging higher interest rates, you would be wise to pay those off first. Also, if prepaying your student loans will force you to take out another loan in the future to meet expenses, you probably shouldn't prepay because the interest rates of the new loan will most likely be higher.

Finally, if you can invest your money in an instrument paying more interest than your student loan charges, you may not want to prepay.

As is the case in deciding to consolidate your loans, prepaying them also requires a careful weighing of the pros and cons.

Creating a New Financial Plan

Even if you don't have any outstanding debts or are going on to graduate school and deferring loan repayment, you will find yourself in a new situation with new expenses, and therefore you will need a new financial plan.

If you are no longer a student, your income and living expenses will be much different than they were while you were in college. To begin with, you won't have to contend with tuition and other academic costs. In addition, your income will probably increase, especially if you have found a full-time job.

However, becoming a working adult involves many new expenses that you may not have had as a student. For example, how will you get to work? If you'll use public transportation in your commute, these costs must be figured

into your financial plan. Alternatively, if you drive, you will have to add car payments, gas, insurance, and upkeep costs to your expenses. Also, depending on the type of job you get, you may need to purchase new clothes and pay for dry cleaning.

If you were previously living in the dorms, you may now have rent, utilities, tenant's insurance, and grocery costs, and perhaps you will need to buy or lease furniture and appliances.

And don't forget about those recreational and miscellaneous expenses you had as a student. While your lifestyle may change, these types of costs will remain or even increase.

As a young working adult, it is important to have health insurance. If it isn't part of your employee benefits package, make getting covered a top priority. Otherwise, one minor illness or accident could leave you in debt for years.

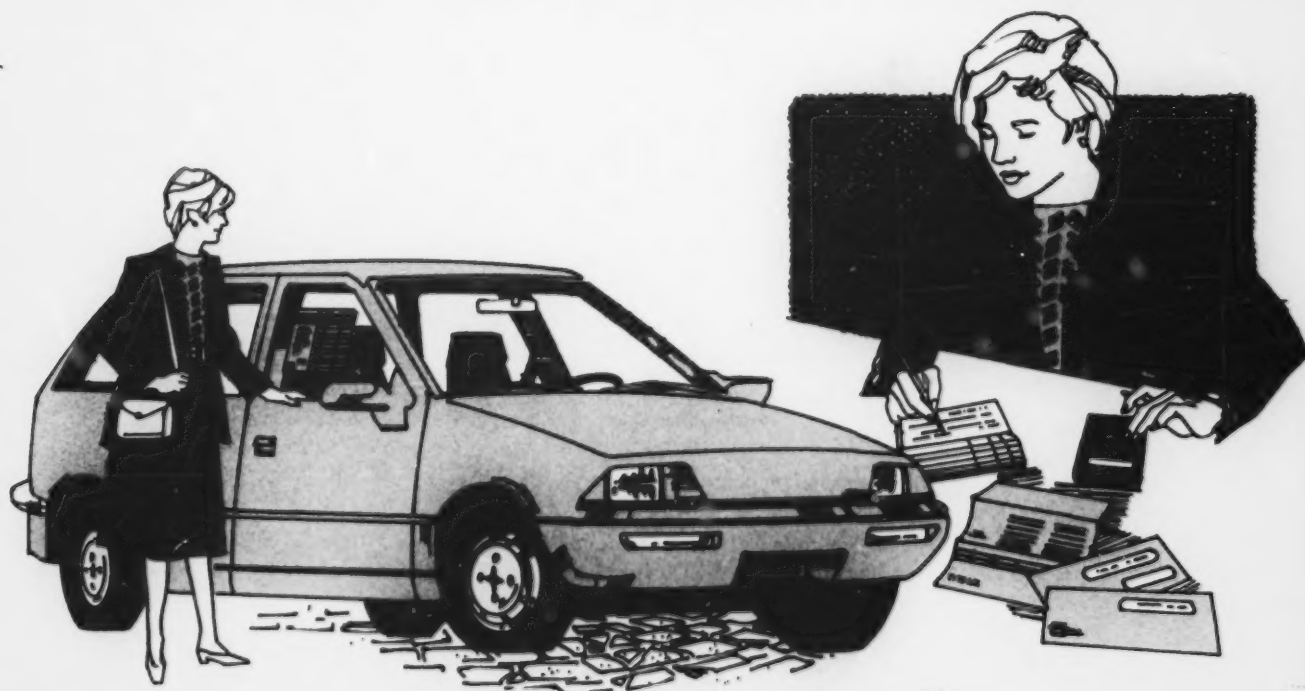
It is recommended that you have an emergency fund of 2-3 months net

income set aside to meet any sudden, unavoidable expenses. Although it won't happen overnight, start building this fund as soon as possible by setting aside a little each month.

Even if you aren't working full-time, it is important to create a new plan adapted to your present situation. Financing these basic costs of living and repaying your student loans will be your primary monetary concerns as a college graduate. In creating your new financial plan (see page 4) be sure to include your monthly student loan repayments as part of your fixed expenses.*

Through careful planning, you should be able to meet both your student loan obligations and your basic costs of living.

*YOUR FINANCIAL PLAN, listed on the inside back cover, provides more detailed guidance and information to help you set up and manage an overall spending and savings plan.



Glossary

Bond. An IOU of the federal, state or provincial government, a city or corporation, that promises to pay a fixed rate of interest for a specified length of time and to repay the loan upon its maturity.

Capital. Money you have available for investments.

Capital gains or losses. The profit or loss resulting from the sale of assets.

Capital growth. An increase in the market value of investments.

Carl D. Perkins Loan. A federal student loan designed primarily for lower-income students; characterized by modest interest rates.

Certificate of Deposit (CD). A receipt for funds deposited with a financial institution that provides interest at fixed or variable rates and is payable to the holder at a specified date.

College Work-Study (CW-S). A work-study program funded primarily by the federal government, with job placement either on- or off-campus.

Common stock. A security which represents a share of ownership in a company.

Congressional Methodology. A formula used by the need analysis servicers, which considers parents' and student's income and assets and other factors in arriving at a family contribution amount.

Cooperative education. A program combining college courses with related on-the-job work experiences.

Cosigner. One who signs a credit agreement along with the borrower and by doing so assumes responsibility for the debt if the credit user doesn't repay.

Cost of attendance. The dollar amount it will cost an individual student to attend a particular college, including: tuition, fees, books, supplies, room and board, personal expenses, and transportation.

Credit bureau. A firm that collects, stores, and distributes consumer credit history information.

Credit history. An individual's past performance with credit.

Credit report. A credit bureau's record, supplied to creditors, which outlines a consumer's use of credit and bill-paying habits.

Default. Failure to repay a loan according to the terms of the promissory note.

Deferment. A postponement of student loan repayment under certain circumstances, approved in advance by the lender.

Dividends. Cash profits distributed to stockholders by corporations.

Dollar cost averaging. The policy of investing the same amount of money in the same investment at regular intervals. Over time, one theoretically buys more shares when the price is low and fewer shares when the price is high.

Family contribution. The amount of money that a family is expected to pay "out-of-pocket" for a college education.

Federal student loans. Educational loans made by commercial institutions, but insured by the federal government in cases of death, disablement, or default.

Financial aid. A combination of scholarships, loans, grants, and work-study programs provided by federal and state governments, individual colleges, and private sponsors to help students meet the costs of a college education.

Forbearance. A postponement or reduction of student loan repayment, approved in advance by the lender, for borrowers experiencing financial hardships.

Grace period. A defined period of time during which loan payments are suspended.

Grants. Gifts of money which do not have to be paid back, usually awarded on the basis of need.

Growth funds. Mutual funds with capital appreciation as the primary objective. These funds invest in large companies that tend to be stable and consistent performers.

Growth-income funds. Mutual funds with both current income and long-term growth as objectives.

Guarantee fee/Insurance fee. A fee connected with Stafford, PLUS, and SLS loans which goes to the guaranty agency.

Guaranty agency. A national or state agency that insures student loans.

Independent student. An undergraduate who is not financially dependent on his/her parents, according to criteria established by the federal government.

Liabilities. The dollar value of items owed, such as mortgage debts, an automobile loan, and other installment debts.

Liquidity. The ease with which one can convert an asset into cash and still retain his or her initial investment.

Loan consolidation. Combining the repayment of two or more loans, which reduces the amount of monthly payments by extending the loan term.

Money-market deposit accounts (MMDAs). Insured savings accounts which earn interest at rates slightly lower than those of money-market mutual funds.

Money-market mutual funds. Mutual funds which invest in U.S. Treasury bills, government bonds, certificates of deposit, and commercial paper.

Mutual funds. Investment companies which pool money from thousands of shareholders and invest it in a diversified portfolio of securities issued by governments and other corporations.

National Merit Scholarships. Scholarships funded by colleges and businesses that reward academic achievement.

Need analysis form. A form used to determine the estimated family contribution and Pell Grant Index.

Need analysis servicers. Agencies that determine the amount a family can reasonably be expected to contribute to a college education.

Net worth. All that you own minus all that you owe.

Origination fee. A fee paid to the federal government to help subsidize Stafford Loans.

PLUS loans. Federal loans made by commercial institutions that are designed to help parents pay for the costs of an education for their children.

Pell Grant. A grant funded by the federal government which is the basis of most aid packages.

Portfolio. A collection of stocks, bonds, and other investments.

Promissory note. A written promise to repay a certain sum of money at a certain time.

Remaining need. The amount of money a student can borrow through government-sponsored loans, determined by subtracting the family contribution plus other aid awards from the cost of attendance.

Scholarships. Monetary awards given to students by federal and state governments, colleges, businesses, and community groups, usually on the basis of academic achievement, talent, or group membership.

Security. Negotiable instrument of ownership or debt.

Stafford Loan. A federal student loan obtained from commercial institutions.

Supplemental Educational Opportunity Grant (SEOG). A grant funded by the federal government but distributed by the individual colleges.

Supplemental Loans for Students (SLS). Federal loans made by commercial institutions that are designed to help graduate and professional students and independent undergraduates fund a college education.

Tax shelters. Investment opportunities which postpone or reduce taxes.

Tuition reimbursement plans. Programs offered by employers that cover the costs of college tuition.

Work-study. A component of financial aid packages in which college- or government-funded jobs are provided to students to help pay for their educations.

Yield. The return on an investment, generally expressed as a percentage.

Suggested Resources

Organizations

Upon written request, many trade associations, businesses and government agencies provide information on particular aspects of financing a college education and money management. Some of these are listed below.

United States

ACT Financial Aid Services
P.O. Box 168
Iowa City, Iowa 52243

American Association of Individual Investors
625 North Michigan Avenue
Chicago, Illinois 60611

American Bankers Association
Personal Economics Program (PEP)
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

American Stock Exchange
86 Trinity Place
New York, New York 10006

BankCard Holders of America
560 Herndon Parkway
Suite 120
Herndon, Virginia 22070

College Scholarship Service
P.O. Box 6300
Princeton, New Jersey 08541

CSX Commercial Services
6420 Southpoint Parkway
Jacksonville, Florida 32216

Federal Student Aid Information Center
Toll-free 1-800-333-INFO

The Investment Company Institute
Public Information Department
1600 M Street, N.W.
Suite 600
Washington, D.C. 20036

National Foundation for Consumer Credit, Inc.
8701 Georgia Ave.
Suite 507
Silver Spring, Maryland 20910

New York Stock Exchange, Inc.
11 Wall Street
New York, New York 10005

The Pennsylvania Higher Education Assistance Agency
660 Boas
Harrisburg, Pennsylvania 17102

U.S. Department of Education
Office of Student Financial Assistance
Washington, D.C. 20202-5464

United Student Aid Funds, Inc.
8115 Knue Road
Indianapolis, Indiana 46250

Canada

The Canadian Bankers' Association
Suite 600, The Exchange Tower
P.O. Box 348
2 First Canadian Place
Toronto, Ontario M5X 1E1

Canadian Securities Institute
33 Yonge Street
Suite 360
Toronto, Ontario M5E 1G4

Department of the Secretary of State of Canada
Student Assistance Branch
P.O. Box 2090, Station D
Ottawa, Ontario K1P 6C6

The Toronto Stock Exchange
The Exchange Tower
2 First Canadian Place
Toronto, Ontario M5X 1J2

Books, Pamphlets and Periodicals

There are numerous publications available which cover nearly every aspect of financing a college education. Some of these are listed below for those wishing to study this subject in greater depth. Addresses for selected publications are given under *Organizations*.

United States

The Advisor: A Counselor's Guide to Student Financial Assistance.

National Association of Student Financial Aid Administrators, 1920 L Street, N.W., Washington, D.C. 20036. \$19.95. (\$3.00 postage and handling)

Cooperative Education. National Commission for Cooperative Education, 360 Huntington Ave., Boston, Massachusetts 02115. Free.

The College Cost Book. College Board Publications, P.O. Box 886, New York, New York 10101-0886. \$13.95 (#003756)

College Financial Aid Guides. Octameron Associates, Inc., P.O. Box 2748, Alexandria, Virginia 22301. Free catalog.

College Students and Credit. BankCard Holders of America. \$1.00.

Federal Student Aid Fact Sheet. U.S. Department of Education, P.O. Box 84, Washington, D.C. 20044. Free.

How to Pay for Your Children's College Education. Krefetz, Gerald. College Board Publications, P.O. Box 886, New York, New York 10101-0886. \$12.95.

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Canada

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